

Opening Statement
The Honorable Judy Biggert (R-IL)
Subcommittee on Technology and Innovation
Committee on Science and Technology
U.S. House of Representatives

*The Role of the SBIR and STTR Programs in Stimulating Innovation at Small
High-Tech Businesses*

April 23, 2009

Mr. Chairman, thank you for holding this hearing today on the role of SBIR and STTR programs in stimulating innovation at small businesses. As you know, Ranking Member Smith was unable to make this hearing due to an immovable conflict, but I am pleased to have the opportunity to take his place as we examine this important program today.

On this committee we are of course well aware of the importance of innovation to economic growth and improved quality of life. Particularly as we work our way through this recession, we recognize that advances in science and technology will help to enable short-term economic recovery as well as sustained prosperity over the long-term.

To this end, the SBIR and STTR programs play a key role as an important part of the overall Federal R&D portfolio, serving to facilitate increased private sector commercialization of promising ideas while leveraging the unique capabilities of small businesses to help the government advance its R&D goals and meet its technology needs.

Today's hearing represents a continuation of the SBIR reauthorization efforts undertaken by this committee and the House Small Business committee during the 110th Congress. As such, it will focus on the two primary changes under consideration last year: (1) whether or not to increase the research set-asides that fund SBIR and STTR; and (2) whether or not to relax restrictions on participation by venture-capital backed small businesses. These are both very important issues with potentially far-reaching impacts, so I am pleased that this hearing provides an opportunity for us to hear from the key stakeholders involved.

With respect to the set-aside, it is important to remember the unique funding structure through which the SBIR and STTR programs are funded—through an assessment on extramural Federal research that is carried out by our universities and national laboratories. As a result, an increased set-aside comes at the expense of basic and applied research performed at universities and national laboratories, and because of the large base from which funding is derived, and even what might appear to be a minor increase in the set aside—from 2.5 to 3 percent for SBIR and from 0.3 to 0.6 percent for STTR—would result in a reduction of roughly \$650 million to core agency research programs. For this reason, and because the SBIR and STTR budgets have grown substantially over the last 10 years, I am strongly opposed to increasing the set aside.

The issue of eligibility of majority venture-capital backed small businesses is significantly more complicated, but no less important. The origin of the dispute over this eligibility is due to lack of clarity in—and changing interpretations of—the existing statutory definition of a “small business.” Regardless of what side of this issue one is on, I think we could agree that the solution is to define “small business” in a manner that maximizes the eligibility of *legitimate* small businesses while minimizing the inappropriate eligibility of large businesses.

To this end, I’m concerned that the current SBIR rules may unreasonably exclude many legitimate small businesses, particularly in the biomedical sector due to its high dependence on venture capital to advance drugs and therapies through the regulatory approval process. I hope this is something that we will address in this upcoming legislation.

This committee and the full House built a solid record of work on SBIR reauthorization during the 110th Congress, so I anticipate that we will be able to work cooperatively and swiftly to extend the SBIR program before its July 31st expiration. However, I hope and expect that we can do so through regular order so the committee members have an opportunity to review any changes to the legislation from last year and offer input and amendments as necessary.

I thank our witnesses for being here today and I look forward to a productive discussion.